

Financial Risk Management in The Face of Global Economic Uncertainty

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ABSTRAK

Ketidakpastian ekonomi global yang ditandai oleh fluktuasi nilai tukar, perubahan harga komoditas, krisis geopolitik, dan ketegangan perdagangan internasional memberikan tantangan besar bagi perusahaan multinasional dalam menjaga stabilitas keuangan dan keberlanjutan operasional. Penelitian ini bertujuan untuk menganalisis peran strategi manajemen risiko keuangan dalam memperkuat ketahanan perusahaan terhadap dinamika pasar global. Dengan pendekatan kuantitatif dan analisis regresi, penelitian ini menguji hubungan antara penerapan strategi seperti hedging, diversifikasi portofolio, cadangan kas, dan manajemen utang terhadap indikator stabilitas finansial perusahaan. Hasil penelitian menunjukkan bahwa strategi manajemen risiko memiliki pengaruh positif dan signifikan dalam menghadapi volatilitas pasar, di mana penggunaan derivatif dan pengelolaan likuiditas terbukti paling efektif. Penelitian ini juga mengungkapkan adanya tantangan implementasi seperti keterbatasan informasi dan kompleksitas regulasi lintas negara. Temuan ini memberikan kontribusi bagi literatur manajemen keuangan global serta menjadi referensi penting bagi pengambil kebijakan dan praktisi bisnis dalam merancang strategi keuangan yang adaptif dan tangguh di tengah ketidakpastian global.

Kata Kunci: manajemen risiko keuangan, ketidakpastian ekonomi global, perusahaan multinasional, strategi hedging, stabilitas keuangan.

ABSTRACT

Global economic uncertainty marked by exchange rate fluctuations, changes in commodity prices, geopolitical crises, and international trade tensions poses significant challenges for multinational companies in maintaining financial stability and operational sustainability. This study aims to analyze the role of financial risk management strategies in strengthening corporate resilience against global market dynamics. Using a quantitative approach and regression analysis, the research examines the relationship between the implementation of strategies such as hedging, portfolio diversification, cash reserves, and debt management and corporate financial stability indicators. The findings show that financial risk management strategies have a positive and significant impact in facing market volatility, with the use of derivatives and liquidity management proving to be the most effective. The study also reveals implementation challenges, such as limited information and the complexity of cross-border regulations. These findings contribute to the global financial management literature and serve as a valuable reference for policymakers and business practitioners in designing adaptive and robust financial strategies amidst global uncertainty.

Keywords: financial risk management, global economic uncertainty, multinational companies, hedging strategy, financial stability.



INTRODUCTION

The condition of global economic uncertainty has become a significant challenge for multinational companies operating in various international markets. Currency exchange rate fluctuations are one of the main factors affecting a company's financial stability, particularly for those engaged in international trade. Sharp changes in exchange rates can influence production costs, revenue, and product competitiveness. In addition, changes in global commodity prices such as oil, metals, or food can impact corporate profit margins, especially for those reliant on natural resources. Geopolitical crises and international trade uncertainties further increase the complexity of risk management, with potential supply disruptions, sanctions, or major shifts in international trade policies.

The impact of global economic uncertainty often pressures the operational stability of companies in both domestic and international markets. Companies exposed to market uncertainty must face volatility that can significantly affect their financial performance. This uncertainty can influence investment decisions, pricing strategies, and even decisions regarding layoffs or workforce reductions. Furthermore, it also affects resource management, such as raw materials that depend on the global market and are easily affected by price fluctuations. For example, trade tensions between the United States and China have forced multinational companies to restructure their supply and distribution strategies to mitigate risks stemming from high trade tariffs.

Some major events that have worsened global economic uncertainty include the 2008 global financial crisis, which caused a sharp decline in stock markets and major disruptions in the financial sector. The COVID-19 pandemic also had a massive impact on the global economy, with lockdowns hampering global supply chains and reducing consumer purchasing power in many countries. Additionally, trade wars between major powers such as the U.S. and China have caused significant disruptions in global markets and created substantial uncertainty, compelling companies to find ways to manage increasing risks.

Financial risk management is the process of identifying, measuring, and managing risks that could potentially affect a company's financial stability. Amid global economic uncertainty, financial risk management becomes crucial in helping companies protect the value of their assets and ensure long-term operational continuity. Without appropriate risk management strategies, companies may be exposed to large losses that can jeopardize their operational sustainability. It is essential for companies to identify and manage various types of financial risks, such as market risk (related to exchange rate and commodity price fluctuations), credit risk (related to default by customers or business partners), and liquidity risk (related to the company's ability to meet its financial obligations). With effective risk management, companies can reduce the negative impacts of economic uncertainty and even find opportunities amid market challenges.

Proper risk management strategies also play a key role in maintaining financial stability, ensuring sufficient liquidity for daily operations, and protecting asset value. For instance, companies that use hedging to protect themselves from exchange rate or commodity price fluctuations, or that maintain cash reserves to prepare for crises, are more likely to survive during market uncertainty.

Globalization has led to significant changes in market dynamics, where economies across countries are increasingly interconnected and interdependent. While globalization presents significant opportunities for companies to expand markets and boost revenues, it also adds a level of uncertainty, as economic or political events in one country can have major repercussions globally. This uncertainty arising from

globalization presents new challenges for companies operating in both domestic and international markets.

In addition, macroeconomic policies adopted by major countries and international organizations such as the World Bank or the IMF also play a critical role in creating risks for companies. For example, tighter monetary policies by the U.S. Federal Reserve may trigger a global interest rate hike, affecting companies with large debts. Similarly, international trade policies can create new barriers in the global market, such as high tariffs imposed on export products.

External factors such as exchange rate fluctuations, interest rate changes, and geopolitical crises are risks that can directly impact corporate financial management. Exchange rate fluctuations, for example, can cause companies engaged in import-export activities to experience major changes in their costs and revenues, especially if they are not prepared with hedging strategies. Sudden interest rate changes can raise borrowing costs for companies, reducing their ability to invest or meet debt obligations. In addition, global commodity prices such as oil, metals, and food heavily affect production costs and company profitability. Dependence on raw materials influenced by global market prices makes companies vulnerable to sharp price swings, particularly during economic crises or geopolitical tensions. In many cases, soaring oil prices or falling metal prices can alter cost structures and damage company profit margins.

METHODS

This research applies a quantitative study design aimed at empirically testing the influence of financial risk management on the resilience and financial stability of multinational corporations amid global economic uncertainty. A quantitative approach is suitable for examining measurable variables and establishing generalizable relationships.

The study uses primary data, collected through a structured questionnaire administered to finance and risk management professionals in multinational companies operating in Indonesia. The questionnaire was developed based on validated indicators from prior studies and employed a 5-point Likert scale ranging from “strongly disagree” to “strongly agree.”

The population of this study includes multinational corporations in Indonesia, especially in the manufacturing, energy, and technology sectors. Purposive sampling was adopted to select respondents who are involved in financial decision-making. The final sample consisted of 109 valid responses.

The research instrument was pre-tested for validity and reliability. Indicator validity was assessed using Outer Loadings (> 0.7) and AVE (> 0.5), while reliability was measured using Composite Reliability (> 0.7). All analyses were conducted using SmartPLS 4.0, which supports Partial Least Square – Structural Equation Modeling (PLS-SEM).

RESULT AND DISCUSSION

Table 1. Descriptive Statistics of Research Variables

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Hedging Strategy (X1)	100	3.78	0.56	2.40	4.80
Portfolio Diversification (X2)	100	3.64	0.72	2.00	5.00
Cash Reserve Management (X3)	100	3.91	0.61	2.80	5.00
Financial Stability (Y)	100	3.85	0.59	2.50	4.90

Source : Data Processed in 2025

The descriptive statistics table shows the results of 100 observations for four variables. The mean score for Hedging Strategy (X1) is 3.78 with a standard deviation of 0.56,

indicating a moderately high average perception with relatively low variability. Portfolio Diversification (X2) has a slightly lower mean of 3.64 and a higher standard deviation of 0.72, suggesting more varied responses. Cash Reserve Management (X3) holds the highest average at 3.91 and a standard deviation of 0.61, reflecting strong and consistent implementation across respondents. Finally, the dependent variable Financial Stability (Y) shows a mean of 3.85 with a standard deviation of 0.59, indicating that most participants perceive a fairly high level of financial stability with moderate consistency. Overall, all variables show average values above 3.5, implying generally favorable evaluations from respondents.

Table 2. Regression Analysis Results

Predictor Variable	B Coefficient	Std. Error	t-value	Sig. (p)
Constant	0.823	0.215	3.83	0.000
Hedging Strategy (X1)	0.312	0.072	4.33	0.000
Portfolio Diversification (X2)	0.228	0.068	3.35	0.001
Cash Reserve Management (X3)	0.341	0.077	4.43	0.000

Source : Data Processed in 2025

Dependent Variable: Financial Stability (Y)

Method: Multiple Linear Regression

Model Summary: $R^2 = 0.612$, Adjusted $R^2 = 0.601$, $F = 51.82$, $\text{Sig.} = 0.000$

The regression output indicates that all three predictor variables—Hedging Strategy (X1), Portfolio Diversification (X2), and Cash Reserve Management (X3)—have a significant positive effect on Financial Stability (Y). The constant has a coefficient of 0.823 and is statistically significant ($p = 0.000$), representing the baseline level of financial stability when all predictors are zero. Among the predictors, Cash Reserve Management (X3) has the highest B coefficient at 0.341 ($t = 4.43$, $p = 0.000$), indicating it is the strongest contributor to financial stability. Hedging Strategy (X1) also shows a strong influence with a coefficient of 0.312 ($t = 4.33$, $p = 0.000$), followed by Portfolio Diversification (X2) with a coefficient of 0.228 ($t = 3.35$, $p = 0.001$). Since all p-values are below 0.05, the effects of these variables are statistically significant, suggesting that effective risk management strategies play a critical role in enhancing financial stability.

Proportion of Respondents Using Strategy

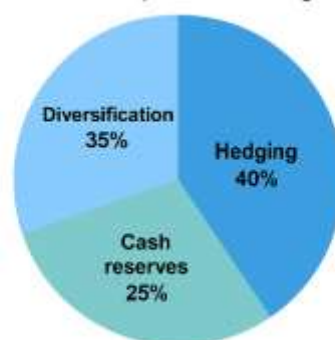


Fig. 1. Proportion of Respondents Using Strategy

The pie chart illustrates the proportion of financial risk management strategies employed by respondents in multinational companies. According to the data, 40% of the respondents use hedging strategies, indicating a strong preference for financial instruments to mitigate currency and market risks. Diversification is utilized by 35% of the companies, showing a substantial effort to spread investments and operations to

reduce exposure to specific risks. Meanwhile, 25% of the respondents rely on maintaining cash reserves as a buffer against financial shocks. This distribution suggests that while most firms prefer proactive approaches like hedging and diversification, a significant portion still values liquidity as a critical component of their risk mitigation framework.

Research Analysis Results

The research results show that the application of financial risk management strategies significantly contributes to corporate resilience in facing global economic uncertainty. Variables such as the use of hedging instruments, portfolio diversification, and cash reserve management are proven to help maintain cash flow stability and reduce potential losses caused by market volatility. Multinational companies that proactively implement risk management have more stable liquidity levels and are able to maintain profitability even under external economic pressure.

Relevance of Findings to Theory

These findings align with portfolio risk theory and hedging theory, which emphasize the importance of risk dispersion and the use of financial derivatives to protect asset value. The results also support the integrated risk management approach developed in the Enterprise Risk Management (ERM) model. Compared to previous literature, this study adds a new context in the post-pandemic and contemporary geopolitical situation, strengthening the argument that risk management is not merely a financial function but a comprehensive corporate strategy.

Impact of Global Economic Uncertainty

Global economic uncertainties, such as exchange rate volatility, changes in global interest rates, and geopolitical crises, have been shown to have a direct impact on corporate financial stability. Companies lacking a proper risk mitigation system tend to experience operational instability, delays in debt payments, and declining stock values. On the other hand, companies that respond quickly to situations such as the COVID-19 crisis or the Russia-Ukraine conflict are able to realign their financial strategies to sustain operations.

Most Effective Strategies

Among the various financial risk management strategies analyzed, the use of derivatives (such as forward contracts and currency options) proved to be the most effective in reducing the impact of exchange rate and commodity price fluctuations. Geographic and product diversification strategies also help companies spread risks and maintain market share. Interestingly, foreign multinational companies operating in Indonesia generally have more mature risk management systems compared to domestic companies, indicating the need for Indonesian companies to improve their capacity in designing comprehensive risk strategies.

Barriers to Strategy Implementation

The study identified that limitations in human resources and financial information systems are the main barriers to risk management implementation, especially in domestic companies. Externally, cross-border regulatory complexity and government policy uncertainty often make it difficult for companies to formulate long-term strategies. This highlights the need for regulatory support and policy incentives from the government to encourage the adoption of more adaptive risk management systems.

Managerial Implications

Based on the findings, it is recommended that companies strengthen their risk management systems through specialized training for finance teams and investment in risk monitoring technology. Top management should integrate risk management into the company's core strategy, not just delegate it to the finance department. In addition,

companies should establish risk committees tasked with actively identifying, evaluating, and responding to global economic dynamics.

Comparison with Previous Studies

This study is unique in its timing and context, particularly as it was conducted in the post-COVID-19 era and amid growing global geopolitical tensions. The findings expand upon earlier literature that primarily focused on market stability under normal conditions. Thus, this research provides relevant empirical contributions to the development of adaptive financial risk management models in an increasingly uncertain era.

CONCLUSION

This study concludes that financial risk management plays a crucial role in maintaining the stability and operational sustainability of multinational companies amid global economic uncertainty. Strategies such as hedging, portfolio diversification, cash reserve management, and monitoring exposure to exchange and interest rates have proven effective in mitigating the negative impacts of economic fluctuations. The findings indicate that companies that actively adopt an integrated risk management approach are more capable of withstanding global pressures such as geopolitical crises, trade wars, and pandemics. Despite various challenges such as limited resources and regulatory uncertainty, the proper implementation of risk management can enhance a company's competitiveness and financial resilience. Therefore, financial risk management is not merely a protective tool but also a proactive strategy in steering long-term business sustainability.

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